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SENSITIVE
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SUBJECT: AUSTR WILSON VISIT OPENS DIALOGUE ON IPR AND TRADE
ISSUES

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SUMMARY

¶1. (SBU) Assistant U.S. Trade Representative (AUSTR) for Europe and the Middle East, Christopher Wilson, co-chaired the first meeting in more than a year of the U.S.-Russia IPR Working Group during a visit to Moscow March 21-28. In a welcome sign of renewed interest in the IPR Working Group, the GOR tapped Deputy Economic Development Minister Stanislav Vosskresenskiy to co-chair the meetings, and agreed on a path forward for future regular meetings. In bilateral meetings with senior officials, AUSTR Wilson noted the need for clear guidance from the most senior GOR officials to get all of Russia's ministries and agencies fully behind the WTO accession process, to push through needed legislative and regulatory reforms on key WTO issues, and to resolve some of the remaining implementation issues with the November 2006 U.S.-Russia bilateral WTO market access agreement. Officials from the MFA, Duma, and the Ministries of Economic Development, and Industry and Trade, as well as a prominent Russian oligarch and WTO champion, reiterated the Russian view that accession is largely a political decision, rather than a matter of completing work in technical areas. END SUMMARY.

Reenergizing the U.S.-Russia IPR Working Group

¶2. (SBU) During his March 21-28 visit to Moscow, AUSTR Wilson co-chaired the first meeting of the U.S.-Russia IPR Working Group in more than a year, along with Russian co-chair Deputy Economic Development Minister Voskresensky. (N.B. The November 2006 bilateral IPR agreement provided for quarterly meetings of the working group, but meetings have been more infrequent, with no formal meeting in the past 18 months.) The two-day meeting of the working group featured a balanced exchange of views on key IPR issues, including joint training and cooperation between U.S. and Russian agencies, Russia's progress on IPR legislative reform and recent changes in U.S. IPR legislation. The two sides also discussed IPR enforcement activities, combating internet piracy, Russian accreditation of royalty collecting societies, and the U.S. approach to copyright and royalty collection.

¶ 13. (SBU) In a welcome sign of renewed Russian interest in the working group, Deputy Minister Voskresensky and officials from virtually all of the Russian agencies with responsibility for IPR issues actively engaged with AUSTR Wilson and the U.S. interagency team. In particular, Russian officials asked pointed questions of the U.S. team regarding IPR protection on the internet and U.S. copyright and royalty collection. The Russian side also made valuable contributions on nearly all of the agenda items with the exception of internet piracy, on which they did not provide much information about Russia's counter-efforts.

¶ 14. (SBU) Both sides agreed on the need to reenergize the working group and to hold senior-level meetings at six-month intervals in each capital, along with intermittent technical and working-level meetings on specific issues between each of the senior level meetings. The U.S. side proposed holding the next senior level meeting in Washington in October, and a technical meeting in the summer that would focus on internet piracy, protection of pharmaceutical test data, and/or IPR legislative issues in general.

¶ 15. (SBU) Although officials from the Health and Social Development Ministry did not participate in the working group, in a separate meeting with AUSTR Wilson, Director Diana Mikhailova and Deputy Director Marat Sakayev of the Pharmaceuticals and Medical Technology Department of the ministry, provided an update on the status of legislative amendments to protect pharmaceutical test data. The GOR officials noted that the draft law had gone through the interagency clearance process and legal review by the

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Ministry of Justice, and was now under review by PM Putin's office before being sent to the GOR Legislative Activity Commission for submission to the Duma. They also confirmed that the current draft was the same version that the U.S. and EU officials had reviewed in the fall of 2008.

Bilateral Trade Issues and WTO Accession Process

¶ 16. (SBU) In bilateral meetings, AUSTR Wilson noted the need for clear guidance from the most senior GOR officials to get all of Russia's ministries and agencies fully behind the WTO accession process, to push through needed legislative and regulatory reforms on IPR, pharmaceutical data protection, SPS and other WTO issues, and to resolve some of the remaining implementation issues with the November 2006 U.S.-Russia bilateral WTO market access agreement. Officials from the MFA, Duma, and the Ministries of Economic Development (MED), and Industry and Trade, reiterated the Russian view that with few issues left to resolve, accession is largely a political decision, rather than a matter of completing work in technical areas.

¶ 17. (SBU) MFA North America Department Director Igor Neverov noted that the G20 Summit in London and the President Obama-President Medvedev meeting would likely produce an action plan or checklist for future bilateral work, including the development of a deeper economic and trade dialogue. MFA and MED officials also suggested that continued discussions on a bilateral investment treaty and on Russia's OECD accession process could form part of the renewed economic engagement. MED officials expressed irritation that the U.S. Congress had not repealed the application of the Jackson-Vanik Amendment to Russia. In addition, Duma Economic Policy and Entrepreneurship Committee Chairman Yevgeniy Federov noted that Russia would be unlikely to resolve its bilateral trade differences with Georgia and suggested that the involvement of a third country WTO member, such as the United States, might help to break the accession impasse with Georgia.

MIT's Role in Trade and Duty Increases

¶8. (SBU) Deputy Industry and Trade Minister Andrey Dementyev explained that after the May 2008 GOR reorganization, his ministry had assumed responsibility for the "practical elements" of Russia's external trade, including the import and export of industrial products, promoting Russian exports, and implementing trade remedies, such as dumping, subsidies and safeguards investigations of imports. He noted that MED still had jurisdiction over questions of trade policy and remained the lead ministry on WTO accession. That said, he broadly asserted that Russia was already complying with WTO rules and, while the GOR remained committed to accession, "it must be a two-way street," implying that WTO members would need to be willing to compromise with Russia.

¶9. (SBU) Dementyev noted that the global economic downturn had created a "strong impulse" in many countries to protect domestic producers and maintain employment levels, but said that Russia had decreased more duties than it had raised in response to the crisis. (N.B. In a separate meeting, Deputy Economic Development Minister Voskresensky echoed this theme, noting that protectionism was rising around the world.) Dementyev called Russia's duty increases on new imported vehicles "insignificant." However, the sharp increases in used car duties were intended to stimulate domestic demand for new cars and would benefit the U.S. car companies with Russian production plants (i.e., Ford and GM), he noted. Dementyev stated that the Ministry of Industry and Trade was working to resolve the question of what duty rate to apply to the off-road heavy duty mining and construction trucks produced by Caterpillar and Terex for which there was no equivalent production within Russia. On the question of the recent duty increase on combine harvesters, Dementyev argued that the Russian safeguards investigation had been conducted in accordance with international norms, and the GOR would

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decide in nine months whether to keep the duty increase in place, reduce it, or impose a special safeguards tariff measure, based on market conditions at that time.

Leading Oligarch Shares His Views on WTO

¶10. (SBU) Severstal CEO Aleksey Mordashov, who also heads the Russian Union of Industrialists and Entrepreneurs' Trade Policy Committee, noted that the remaining substantive and technical issues in Russia's accession were minor compared to the benefits that Russia and its trading partners would reap from accession. In his view, accession would be a great symbol of Russia's openness to foreign trade and would help to improve the investment climate, though he also admitted that accession would not be a "panacea." He said that Russia's WTO negotiator Maksim Medvedkov had told him that with a major political push from senior Russian and U.S. leaders, the accession could be completed in as little as one month. He noted, however, that the "real work" of opening up the Russian economy would start after accession when Russia would have to reform its economy to meet WTO standards.

St. Petersburg International Economic Forum

¶11. (SBU) Russian officials from the Ministry of Economic Development also urged U.S. Trade Representative Kirk to consider attending the June 4-6 St. Petersburg International Economic Forum, noting that Economic Development Minister Nabiullina would be sending out invitations to the event soon. (N.B. On March 31, the Embassy received invitations to the forum from Minister Nabiullina for the Ambassador, Commerce Secretary Locke, Treasury Secretary Geithner and

U.S. Trade Representative Kirk. We have forwarded the U.S. Cabinet invitations to EUR/RUS and the relevant Washington agencies.).

COMMENT

¶12. (SBU) A reenergized IPR Working Group could serve as one aspect of a renewed economic and trade dialogue with Russia. In addition, continued regular visits of USG economic and trade officials from the new Administration will help build momentum for closer economic and commercial relations, including especially a renewed push for Russia's WTO accession, which would be the best spur possible toward a more open and modern Russian economy.

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